Survey Shows Dramatic Retail Diversity

While gasoline marketing of little more than a decade ago was fairly static, the modern industry is almost chaotic in comparison as companies diversify to lure customers and stanch losses.

This is confirmed by a Lundberg Survey, Inc., report which covered 16,810 service stations in all 50 states and Washington, D.C., at the turn of the year.

Here are some of the highlights —remembering, of course, that in the early 1970s, virtually all majors were full-service at the pumps, most had service bays and diesel fuel was strictly a truckstop product:

• Of the stations surveyed, only 13.1% now are full service, while 40.9% are self-service and 46.0% are split-island. But that's only half the story. The breakdown shows that of the majors surveyed, 14.8% were full-service, 25.0% self-service, and 60.2% split-island. The non-majors were 8.7% full-service, 81.4% self-service and 9.9% split-island.

The diversity within the ranks is literally amazing. [See chart.] Citgo and Arco, at 77.0% and 71.9% respectively, are far and away the leaders among the surveyed companies in self-service. On the other hand, Getty at 47.0% and Sunoco at 43.4% still have more full-service stations than the others surveyed. The fence-straddling split-islanders include Chevron at 84.2%, Exxon at 73.9%, Shell at 71.5%, Mobil at 69.7%, Union at 69.3% and Amoco at 62.7%.

• There are many variations in the grades of gasolines the surveyed companies sell at their stations.

For example: Only 10% of the companies still sell leaded premium gasoline —the majors 8.0% as a group and the non-majors 15.8% as a group. But 72.6% of the companies sell the three key grades —leaded regular, unleaded regular and unleaded premium. The strongest majors in the three-grade configuration were Standard of Ohio at 100%, Shell at 98.2% and Chevron at 96.3%. Also in the 90%-plus category were Amoco, Arco, BP, Exxon, Gulf, Mobil and Sunoco.

On the other side of the spectrum there were five companies that were substantially two-graders—"Union and Getty, because they decided to go that way, and Phillips, Conoco and Citgo, mainly because their jobbers did," according to Lundberg.

• Diesel fuel's luster seems to be fading with respect to predictions that were made for it in the mid-to-late '70s. Of the surveyed stations, only 17.7% handled diesel fuel—15.4% in the major category, 23.4% in the non-major. The biggest supporters were Phillips at 46.9% of its stations, Texaco at 36.2%, Gulf at 35.7% and Conoco at 34.5%. Least interested were Shell at 4.9%, Arco and Mobil at 6.3%, BP at 8.8% and Getty at 9.8%.

• There are a lot more service bays than most people realize. Says Lundberg: "Many of these bays are not being utilized efficiently, but there are impressively large numbers of them still out there in the service station networks."

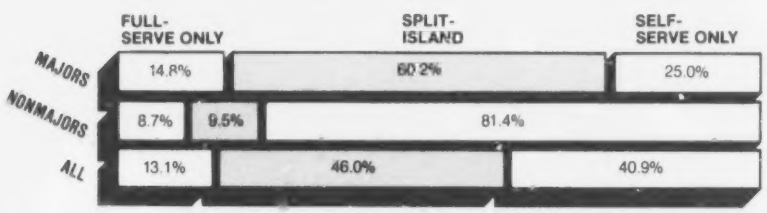
The study indicated 57.6% of the companies surveyed have service bays, of which the major stations have 72.1% and the non-majors 20.9%. Here again, company-by-company differences are almost dramatic. Union, Chevron and Mobil are in the 80%-plus category; Exxon, Phillips, Sohio and Texaco in the 70% group; and Amoco, Arco, Getty, Shell and Sunoco in the 60%-plus class. At the short end, BP at 5.3% and Citgo at 23%.

• Of the ancillary businesses—C-stores, car washes and truckstops—the latter two have been around longer, but the C-stores have come on faster. The all-industry figure for C-stores is 7.5%, but the non-majors tower above the majors in this category in their interest—16.9% to 3.8%.

Leader of them all is Citgo with 32.2% of its stations involved with C-stores. Arco is second with 14.8% and Gulf, third with 8.3%. Professing as little interest as possible are Exxon at 0.7%; Getty at 0.8%; Sunoco at 0.9%; Chevron at 1.9%; Union at 1.9% and Mobil at 2.0%.

Says Lundberg: "The face of gasoline marketing has become complicated and interesting in response to economic changes. Since many challenges remain, further diversity seems likely." NPN

How the Top Companies Market Gasoline



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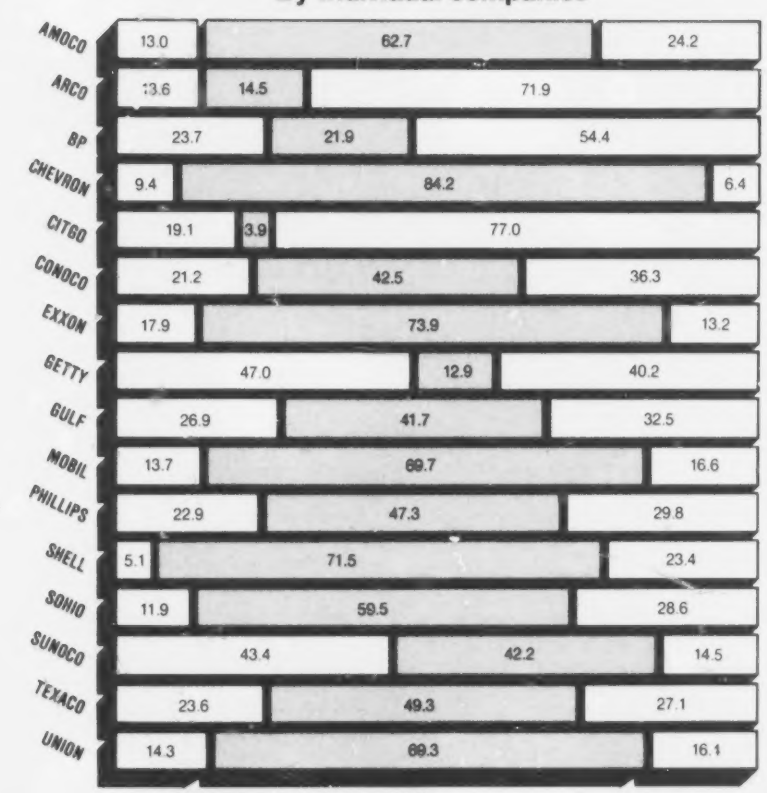
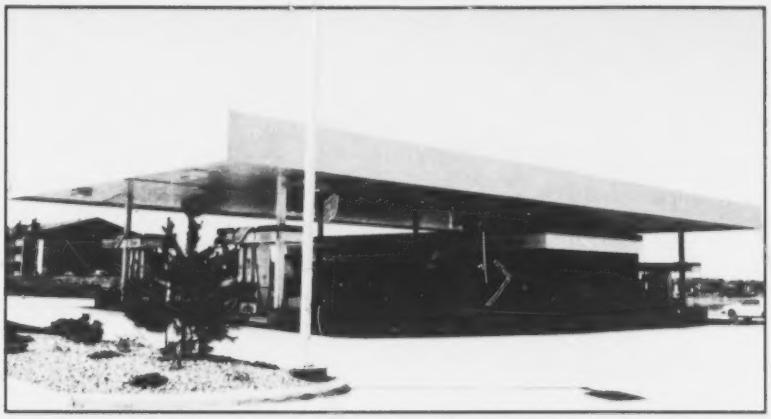


Source: Lundberg Survey, Inc., January 1984

C-Stores Sold 12% of '82 'Gas;' Look for 20% by 1985: Roscoe



The top chains sold 2.3-billion gallons of gasoline in 1982—each store averaging 1,100 gal. day.

Six out of 10 convenience stores now sell gasoline, according to the latest estimate of John F. Roscoe, the West Coast entrepreneur who annually publishes his own report entitled "Dollars-per-Day Survey of the Convenience Store Industry."

Roscoe's report basically covers the top 10 publicly owned chains.

He noted that in 1982, the 10 public chains sold 2.3-billion gal. of gasoline, which was 2.36% of the 98.5-billion gallons vended for highway use.

More significant, however, were these comments from Roscoe:

"C-type stores (includes traditional stores, plus other food and gasoline combinations) sold 12.09% of the gasoline sold in the United States in 1982.

"We estimated that there are in excess of 50,000 convenience-type stores in the United States, and that 59% of them sell gasoline.

"On the average, they sell 1,101 gal. of gasoline per day per store. The number of C-type stores and the average gallonage of these stores is increasing each year.

"We estimate that in excess of 20% of the total gasoline in the United States will be sold through this type of unit in 1985. In 1976 (by way of comparison), only 1% of the total gasoline sold in the United States was sold through convenience stores."

In his annual ranking of the 10 stores used in his survey, Roscoe—who owns a small chain in California—gave first place to Shop & Go, headquartered in Mango, Fla., and the owner of 415 stores.

Second place went to Circle K, Phoenix, Ariz., 1,221 stores; third place, Southland Corp., Dallas, Texas, 7,165 stores; fourth place, National Convenience Stores, Houston, Texas, 1,012 stores; and fifth place, Lil' Champ Food Stores, Jacksonville, Fla., 170 stores.

The 10 chains had a total of 12,276 stores, of which 6,029 sold gasoline. The 10 added 480 gasoline units in 1982, Roscoe said.

Dollars Per Day Gasoline Survey: Ten C-Store Chains Sold 2.3-Billion Gal. in '82

Company	# of Gasoline Units	Number of Gal. Sold In 1982	Avg. Gal. Sold per Day per Unit	Gasoline Margin per Gal.	% of Sales Contributed by Gasoline
Shop & Go	286	74,000,000	689	3.8¢	33.9%
Circle K	798	255,200,000	886	N/A	38.4%
Southland	2,827	1,156,000,000	1,185	N/A	25.3%
Nat'l Convenience	695	231,600,000	991	6.2¢	42.7%
Lil' Champ	82	19,444,448	722	3.4¢	31.0%
Li'l General	208	43,912,960	580	N/A	29.9%
Mini Mart	41	8,361,280	580	N/A	21.8%
Sunshine Jr.	322	66,608,905	580	N/A	51.1%
Conna	289	146,000,000	1,387	N/A	39.4%
Munford	481	327,000,000	1,887	N/A	56.3%
Totals	**6,029**	**2,328,127,593**	**1,101**		

Source: John F. Roscoe, 13th annual Dollars-per-Day Survey—1984.

Two-Dozen States Mull Fuel Tax Hikes in '84

Although 18 states hiked their motor fuel taxes last year, and a record 22 states raised taxes in 1981, marketers can expect more of the same for 1984.

The Highway Users Federation (HUF) reports that motor fuel tax increases will be considered in at least 23 states this year. And, five of these states—Colorado, Connecticut, Minnesota, Pennsylvania and Vermont—just raised their excise tax rates last year.

Tax administrators say states trying to avoid a budget crunch are squeezing all they can from increased fees and taxes, and excise taxes are an easy target. HUF also says states have been raising highway user fees to maintain and repair state roads and bridges and match federal highway funds.

State taxes on motor fuel range from a low of 5¢ gal. on gasoline in Texas and 6.5¢ gal. on diesel in Oklahoma and Texas, to highs of 17¢ gal. in Minnesota and 17.4¢ gal. in Pennsylvania for both gasoline and diesel fuel. Washington state's rate will be 18¢ gal. July 1.

The excise tax is only part of some states' tax burden, however, as six of the ten states with the highest taxes per gallon also add sales taxes or gross receipts taxes. Michigan's excise tax, for example, is 15¢ gal. But combined with the state's 4% sales tax, the state's per gallon tax soars to 19¢ gal. or more.

American Petroleum Institute (API) figures indicate that 12 states tack an additional sales or gross receipts tax onto the price of motor fuel.

In 1983, 10 states' combined fuel taxes exceeded 15¢ gal. Two of those states—Washington and Minnesota—increased their excise taxes by 9¢ gal. between 1975 through 1983, the largest per-gallon increase of any state within that period (Wisconsin, with a 15¢ gal. excise tax also boosted its tax 9¢ gal. in that period.).

There are regional patterns: The Midwest seems to be the most heavily taxed, according to API figures. Half of the 10 states with highest combined tax rates are located there.

The southern states, on the other hand, tend to have lower tax rates. Half of the states with the 10 lowest tax rates are in the South. And, six of these states—Alaska, Louisiana, Missouri, New Jersey, Oklahoma and Texas—have not increased their excise taxes at all over the past nine years.

API figures suggest, however, that the overall trend is not only to boost taxes during a given year but to OK tax hikes for the years ahead. Illinois, for example, approved a 3.5¢ gal. increase for gasoline in 1983, as well as a 1¢ gal. hike in both 1984 and 1985.

NPN

Late '83 Demand Hikes Year-End Profits

Except for Texaco, the top oil companies managed to fare well in 1983 despite glutted markets and depressed product prices.

The upswing in demand in the fourth quarter was especially helpful for some, and even helped a few of the 20 companies which took a bath in the dry hole from Alaska's Mukluk formation.

Profits in 1983 increased from 1.7% to as high as 23.7% for seven of the eight major oil companies that top the list. Texaco was hurt by an $87-million loss on the Mukluk venture—as were Standard of Ohio, Standard of California and several others—and by $15-million writeoff in restructuring certain Canadian operations.

Shell's 1983 net income was its second highest in history, according to president John Bookout. He credited improved earnings in chemicals, natural gas and refined product margins.

Although current margins are "inadequate," said Bookout, he was hopeful that there would be a substantial improvement in business in the first quarter of this year. In the first quarter of 1982, Shell had a loss of $40-million because of depressed prices.

Exxon's C.C. Garvin also was on the cautiously optimistic side. "The oil industry appears to be recovering slowly as the market demand has improved from the severely depressed and unsettled situation of a year ago," he said.

Ethyl Corp. reported that its net incomes and earnings per share set new records in 1983. Net income for 1983 was $106-million—the first time earnings exceeded $100-million in any year. NEW

Fourth Quarter and 1983 Annual Earnings

(add $000)

Company	4th Qtr. 1983	4th Qtr. 1982	% Change	Full Yr. 1983	Full Yr. 1982	% Change
Exxon	$1,630.0	$1,460.0	10.1%	$4,990.0	$4,190.0	19.1%
Mobil	445.0	398.0	11.8	1,501.0	1,213.0	23.7
Texaco	256.0	306.0	(16.1)	1,233.0	1,281.0	(3.7)
Stand. (Ind.)	459.0	415.0	10.6	1,868.0	1,826.0	2.3
Stand. (Calif.)	403.0	425.0	(5.2)	1,590.0	1,380.0	15.2
Atlan. Rich.	419.0	434.0	(3.5)	1,547.9	1,676.1	7.6
Shell	549.0	438.0	25.3	1,633.0	1,605.0	1.7
Gulf	297.0	226.0	31.4	978.0	900.0	8.7
Tenneco	241.0	288.0	(16.3)	716.0	819.0	(12.6)
Stand. (Ohio)	324.0	464.0	(30.2)	1,512.0	1,879.0	(19.5)
Phillips	247.0	155.0	53.4	721.0	646.0	11.6
Sun	61.0	151.0	(59.6)	453.0	537.0	(15.6)
Getty	238.9	172.7	38.3	494.3	691.6	(28.5)
Union	178.0	225.1	(20.9)	626.0	804.0	(22.1)
Amer. Hess	57.0	43.6	30.7	205.3	168.7	21.7
Ashland (*)	27.2	29.1	(6.5)	—	—	—
Kerr-McGee	17.1	73.5	(76.7)	118.4	209.8	(43.5)
Dia. Shamrock	(130.0)	46.2	—	(56.2)	185.1	—
Murphy	24.0	39.0	(38.5)	132.0	158.0	(16.5)
Amer. Petrofina	55.3	54.4	1.7	23.4	14.8	58.1
Pennzoil	57.7	50.5	14.3	164.2	188.7	(13.0)
Quaker State	9.1	7.2	26.4	36.6	38.6	(5.2)

(*) First quarter; fiscal ends 9/30.

Report Says 207,000 Places Sell Motor Fuel; 234,000 Tanks Are More Than 21 Years Old

An informal survey indicates that as of the end of 1982 there were 207,000 places selling motor fuels in the U.S. with a storage capacity of 80-million bbl. of gasoline and diesel fuel at their various locations.

The survey also indicated that almost one-third of the tanks were at least 21 years old, emphasizing in its own way the growing problems associated with underground leakages. [See related story page 29.]

The survey was prepared by Ivan Maple, executive director of the Southeastern Independent Oil Marketers Assn., as part of his work with National Petroleum Council, which is making a study of secondary and tertiary storage tank capacity in the U.S. The NPC study is expected to be published in April or May.

Some of Maple's calculations were published in his membership letter simply as a matter of information and not as an official or semi-official report.

The Maple survey drew these informal conclusions for 1982:

Metro areas: 63,000 establishments with an average of 28,000 gal. of storage for a total of 42-million bbl.

Rural and urban areas: 57,000 stations with an average of 14,500 gal. of storage for a total of 20-million bbl.

Car dealers, implement dealers and small stores: 50,000 units with an average of 2,500 gal. of storage for a total of 3-million bbl.

Convenience stores: 37,000 units with an average of 24,000 gal., of storage for a total of 21-million bbl.

The survey estimates there were 750,000 tanks at the nation's retail outlets in 1982.

Another interesting breakdown provided these estimates in tank ages for retail stations only:

Tank Age	No. of Motor Fuel tanks	Percent of total tanks
0 to 5	90,720	12%
6 to 10	113,400	15%
11 to 15	136,080	18%
16 to 20	181,440	24%
21 +	234,360	31%
Total:	**756,000**	**100%**

Missouri Court Rules Oral Agreement Sticks

A jobber who enters into an oral lease and supply agreement with a lessee dealer can be held to the terms of the Petroleum Marketing Practices Act, according to a Missouri federal court.

The court upheld the claim of a lessee-dealer that Mid-American Petroleum, a Shell jobber in western Missouri, violated PMPA when it terminated the dealer.

Under the court's interpretation, any agreement—written or oral—in which a supplier agrees to provide retail facilities and product is a franchise. The key to the court's ruling was that Mid-American permitted the dealer to continue operating a jobber-owned station on a rental basis and continued to supply the station after the dealer failed to return a signed lease. The court said that by allowing the dealer to remain, the jobber created a "tenancy at will" (a virtual month-to-month lease) that is covered by PMPA.

The court ordered Mid-American to reinstate the dealer, but added that if proper grounds for termination still exist, the jobber can follow normal PMPA guidelines and proceed with termination. NEW

Gasohol Penetrates 8.1% of Fuel Market, Despite Tax Setbacks

Sales of fuel ethanol and methanol in 1983 continued to increase despite lowered tax exemptions in some states and controversy surrounding methanol's suitability as a motor fuel additive.

Information Resources, Inc., Washington, D.C., says ethanol blended gasoline (gasohol) sales increased by 92.4%, totaling 4.4-billion gal. The figure represents 4.44% of the total amount of gasoline consumed in the U.S.

The largest ethanol sales volumes were in the midwest and California:

	Millions of gal.	% of all gasoline sales
Michigan	561	15.59%
Indiana	535	22.04%
Iowa	505	37.85%
California	474	4.38%
Illinois	416	9.24%

Methanol was added to an additional 3.65% of gasoline, bringing combined fuel alcohol market penetration levels to 8.1% of the U.S. market.

Information Resources points out, however, that 1983 has not been all smooth sailing for the alcohol fuel industry.

Some of the setbacks considered: the loss of the ethanol tax break in Oklahoma, the scaling down of exemptions in Florida, Illinois and Michigan and the imposition of a 50¢ gal. tariff on fuel ethanol imports.

Cited as setbacks for methanol: possible Environmental Protection Agency reconsideration of the Petrocoal waiver, the denial of American Methyl Corp.'s application for a Methyl-10 waiver and Chrysler's threat to void warranties if motorists use methanol blends. NEW

Group Hits Government For Slow Bill Payment

More than a year after Congress forced federal agencies to pay their bills on time under the threat of interest penalties, a handful still make their suppliers—including oil marketers—wait weeks or even months for payment and have ducked the interest penalties.

In a round of hearings in late January, the Slow Pay Coalition—an alliance of business and government contracting groups—singled out the U.S. Navy as "the worst bill-payer in the government" and argued that the poor payment record is preventing many suppliers from seeking Navy contracts.

Under the federal prompt payment law, federal agencies have 45 days from a bill's due date to pay suppliers. If they miss the deadline, interest (at a rate decided by the Treasury Department) is added to the bill retroactive to the 30th day after the due date. According to Kenton Pattie, coalition director, under directions from the Office of Management and Budget, many agencies which used to pay bills promptly are now holding them for the full 30-45 days, just barely avoiding the penalties. "Agencies have ignored the intent of Congress," Pattie says.

The coalition is pressing Congress to beef up enforcement of the law, but also has launched a campaign to convince all 50 states to adopt similar legislation affecting state purchases. In a recent report, the coalition said 18 states have added prompt payment laws to their books since the effort began, bringing the total to 27. Legislation is pending 12 others. NEW

GM Lawsuit Over Emissions System Recalls Forces EPA Rules Change

A Washington, D.C., federal appeals court says the Environmental Protection Agency cannot force automakers to recall cars with defective emissions control systems once emissions control part warranties have expired.

The ruling stemmed from a lawsuit filed by General Motors Corp. to block EPA rules covering emissions system recalls. EPA regulations would have given the agency power to force recalls of all vehicles in a given class, regardless of age or warranty status. But a District of Columbia appellate court ruled EPA overstepped its authority when it gave itself power to order recalls past the warranty period.

Under the federal Clean Air Act, many portions of automotive emissions control systems are covered by a mandatory five-year warranty, the rest under a two-year warranty.

Automotive aftermarket groups say the ruling will hurt EPA's recall powers by allowing vehicle makers to delay recall negotiations until the time limit expires. A spokesman for the Automotive Service Industries Association said the court's decision has "left the industry with absolutely no recourse other than legislative reform" to press for a change in emissions warranty requirements.

The automotive service industry has bitterly opposed EPA's five-year warranty rule on grounds that it forces consumers to take their vehicles back to dealers for service. The latest court ruling aggravates the problem, the automotive groups say, because many owners now won't be notified that their cars need servicing once the warranty expires. NEW

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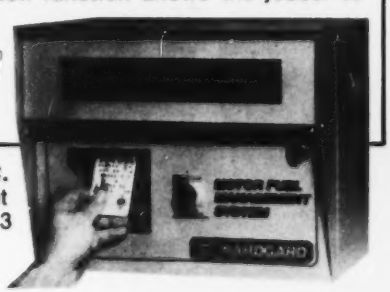

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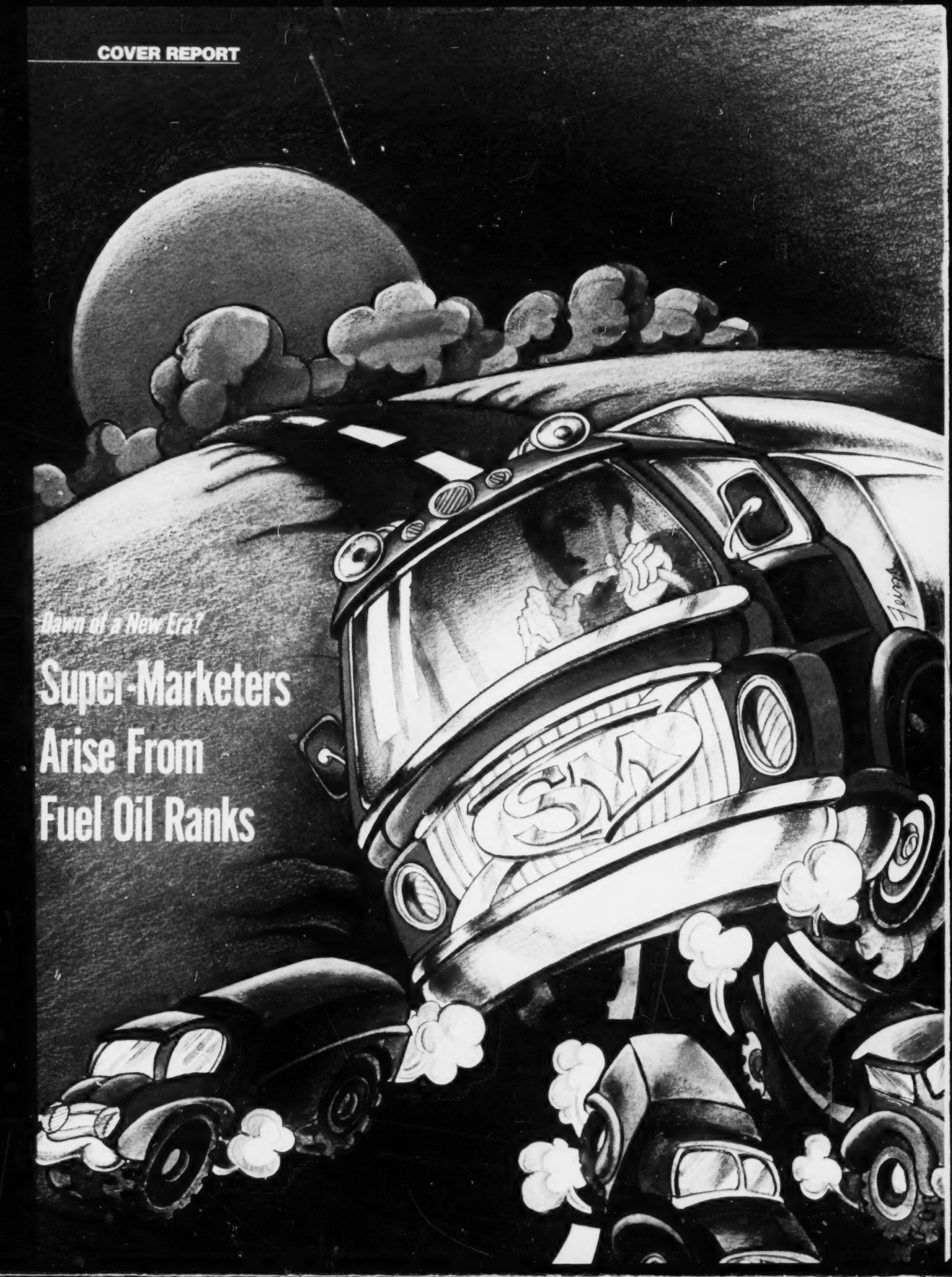


Dawn of a New Era!

Super-Marketers Arise From Fuel Oil Ranks

A new era might be dawning (or at the very least, strange things are happening) in the retail heating oil business, where bigness per se never has been a part of the industry fabric—as is true of gasoline—and most distributors are small, local companies.

In recent months, however, an elite, three-company group of "super-marketers" has emerged from the masses for the first time in fuel oil's history.

Not only that, all three luminaries are committed to resolute expansion programs—to continue to acquire and merge in the future as opportunities arise in and around their marketing territories.

This can only lead to further growth in the years to come. Conceivably, such acquisition programs could lead to a bit of jockeying to become No. 1 in the retail business; or to hang on to the title, once achieved. But all three companies shrug this off, almost with disdain.

They told *NPN* unequivocally that they are interested only in profitable business operations, not in prestige races.

Some industry people think, however, that the emergence of the trio will usher in a slew of much bigger distributors than currently populate the marketplace—none as big as the top three, but nevertheless much larger than they are now.

A recent study by the Petroleum Equipment Institute supports such speculation. Although geared more toward gasoline operations, the report says that in 10 years or so, market contraction will leave primarily large, regional firms and a number of isolated rural jobberships. [See related story on page 29.]

Other knowledgeable fuel oil people back off from that bold proposition, however. They prefer to view the emergence of "the big three" as an unusual development, but not one that's signaling any massive changes in the making.

Birth of Titans

To put the picture into perspective, however, this is what has been going on in recent months:

- Little more than six years ago, Petroleum Heat & Power, of Stamford, Conn., was losing gobs of money, while BP, its corporate parent, was avidly seeking a bail-out buyer. Today, under a new management and after a startling burst of acquisitions in 1982 and 1983, Petro—as it is known—has become the nation's largest independent retailer of No. 2 heating oil, which is used by roughly 10-million or so homeowners.
- Meenan Oil Co., of Syosset, N.Y., which had been the No. 1 independent for probably a quarter-century or more, suddenly found itself in second place, behind the upstart Petro, and simultaneously in the throes of a corporate restructuring to once again become a private company after a decade of public ownership.
- Whale Oil Corp. of Brooklyn, N.Y., more familiarly known as Whaleco, literally beat expansion-minded Petro to the punch and snatched eight New England firms from under its nose. They were up for grabs in a spinoff by Charter Oil Co. The acquisition made Whaleco No. 3 on the hit parade as well as giving it newfound recognition as "a comer that's been in the shadows much too long."

Petro currently has in excess of 140,000 household accounts and about 170-million gal. of No. 2 heating oil, all retail. Meenan, which used to have 140,000 accounts but dropped back to 128,000 in a series of changes, estimates its No. 2 volume at 130-million gal. Whaleco has about 78,000 retail accounts and about 150-million gal. of oil. Whaleco's gallonage includes some gasoline and diesel fuel, however, and the company said it did not think any useful purpose would be served in breaking it into categories. On a rule-of-thumb basis, some industry people thought the No. 2 gallonage might be around 90-million or so.

Creation of Also-Rans

After those three, the accounts and gallonage numbers drop off dramatically—down to where those in the next rank are firms in the 10,000 to 20,000 range in their number of home heating accounts. So confusing does the picture become that even the old pros were reluctant to hazard a guess as to who might be considered a likely prospect for the No. 4 ranking.

Another factor that makes such a choice difficult is that the mix of household retail, commercial-industrial sales and wholesale sales varies all over the place in these companies. There are fuel oil firms whose wholesale and commercial volumes are greater than the top threesome. They too have No. 2 household accounts but nothing like the elite leaders.

By way of contrast, *Fuel Oil News*, a sister publication of *NPN*, recently noted in its annual survey that the average heating-oil distributor in the U.S. has 1,120 household accounts and 100 commercial accounts. The average distributor handles 1,744,815 gal. of No. 2 and 271,978 gal. of residual annually. These averages vary considerably by regions. [See table.]

There are no hard numbers available at this time on the fuel oil distributor population. The federal government made its usual quinquennial nose count in 1982, but the data has not been published yet. Most likely they will not be available until much later this year or early 1985.

The last U.S. census of retail businesses in 1977 gave a heating oil and LPG population of 20,246, of which 10,669 were fuel oil establishments (7,306 LPG and 2,271 "unclassified"). If the latter were split three-to-two in a rough weighting, it would make the fuel oil population about 12,000 in 1977—a number most industry people would agree with.

The retrenchment in fuel oil via acquisitions, liquidations and collapses has not been as heavy as in gasoline in the intervening years. So, if it can be assumed that at least 10% have vanished via buyouts and sellouts and liquidations, then a fair estimate of the fuel-oil population would be 9,000 to 10,000. Some of these establishments may also be selling other liquids, but U.S. Census Bureau regulations give dual recognition to this possibility in oil marketing.

How Titans Tick

There are several interesting aspects in the emergence of Petro, Meenan and Whaleco from the great body of distributors and the way they dominate.

1. All three are headed by younger men. The youngest is 36, the oldest 52.
2. All three presidents are the sons of men who put together and operated their own fuel oil firms most of their lives.
3. All three look at the fuel oil industry as a land of opportunity, even though it is diminishing in size and scope.
4. All three firms exhibit deep concern for their employees, the strengths of their business managements down the line, and the images that their teams reflect in the local markets.
5. All, at the moment, are privately owned. But there are two ironic exceptions. Meenan went public in 1972 and became a private company again last December when KOV Corp., composed of three officers of the firm and an investment group, bought all the stock for $29-

Average Fuel Oil Dealer Varies Regionally in Size and Volume

	No. Residential Fuel Oil Accts.	No. Commercial/ Indus. Accts.	Distillate Volume (gal.)	Residual Volume (gal.)	No. of Employees
New England	1,029	42	1,092,600	30,000	9.9
Mid-Atlantic	2,318	259	3,806,514	328,571	13.0
South	675	95	1,194,270	351,000	7.7
Midwest	433	52	971,657	304,161	6.9
West	1,144	54	1,659,036	346,226	10.0
U.S. AVERAGE	1,120	100	1,744,815	271,978	9.5

Source: *Fuel Oil News*, a Hunter Publication.

Merger-minded, Wall Street-smart Sevin helped vault Petro into No. 1 retailer of No. 2.

million. On the other hand, Petro has just filed papers to go public and expects to complete this transition in the very near future.

Leading Men

At Petro, the ramrod figure is Irik Sevin, 36, and already an adept master at acquisitions and mergers—something he learned in Wall Street right after his college years. He is president of the firm, and his father, Malvin P., is chairman. "I'm the road man and he keeps the store," says young Sevin with a grin. "But we're a perfect team, we never do anything without talking to each other about it, and we have absolute confidence and trust in each other."

At Meenan, it's William Kenny III, now 52. He's president and CEO of the new holding company. His father, William Kenny Jr., was the CEO of Meenan Oil for well onto three decades. Kenny Jr., is out of the firm in a managerial capacity now, but he still serves as an advisor. Kenny III is in full control and on his own.

At Whaleco, the top man is another soft-spoken, self-effacing individual, Peter F. Carini. Now 46, he acquired Whale Oil from Amoco in 1971. He learned the fuel oil business at the feet of his father, who had built up a 3,000-account business in the Flatbush section of Brooklyn.

All three of the individuals are strong believers in participating in their industry associations and in the promotion of oil heat.

Sevin, even though he hasn't racked up as many years as Kenny and Carini in the industry, is already a director of Empire State Petroleum Assn., Independent Connecticut Petroleum Assn., New England Fuel Institute and New York City's Metropolitan Energy Council. Kenny also is an ESPA board member, and is deeply involved in the work of the Oil Heat Institute of Long Island, New York Oil Heating Assn., and the Metropolitan Energy Council, to cite a few. Carini likewise is on the ESPA board and is chairman of the Metropolitan Energy Council and very active in New York Oil Heating Assn., and many other groups.

The Petro Story

Petro caught young Sevin's eye while he was toiling for a Wall Street firm that specialized in acquisitions and mergers. He and his father, who had a small fuel oil firm on Long Island, put together a group of financial backers to buy the ailing Petro, which had been plodding along for 80 years or so, first as a vendor of coal then, of oil. It operated in metropolitan New York City (Long Island, New York and Westchester County) and in Connecticut.

"He got it for a steal; an absolute steal," said some of his industry associates.

But even if it was a "steal," it wasn't an easy beginning for the Sevins. Petro had just lost three-quarters of a million dollars even though it was moving more than 100-million gal. of fuel oil. The Sevins did some fast spin-offs to generate some ready cash. Ironically—one of the firms they sold—Effron Fuel Oil—was bought by Meenan. The company was stripped back to about 58-million gal. Some industry sources said the Sevins got enough cash flow from the spin-offs to equal the buying price so they were, in effect, home-free. Young Sevin says he and his father managed to turn the company around rapidly. "In little more than a year," he says, "we went from a $750,000 loss to a $1-million profit."

There was some backing and filling in the earlier years as the Sevins restructured their firm and built up their cash reserves.

In 1982 and 1983, young Sevin began to step out. He acquired five firms in 1983 alone and wound up the year with a total of 140,000 accounts and 170-million gals. of No. 2. He extended his southern perimeter first to Baltimore, Md., then, on to Washington, D.C.

But it was in metropolitan New York and New England where he took his biggest jumps. First, he picked up the retail business of Public Fuel Service of New York, then owned by Bob Greenes, a well-known industry leader. It had 15,000 accounts and 70-million gal. of fuel that also included some No. 4 and No. 6 in New York City, Westchester County and northern New Jersey. Next came Atlas of Boston, which put 45,000 household accounts and 42-million gal. of No. 2 in his expanding universe. He closed out the year with a smaller firm in Boston. In January he was negotiating with several additional possibilities.

Petro the Prowler

"We're constantly looking for acquisitions that will fit into our marketing plan," says Sevin. "That's the key—not the size but how the purchase will fit into our business pattern. And, for the record:

No, we're not interested in being No. 1 just for the heck of it. That's meaningless. What we want is a profitable business operation. Period."

Petro has 540 vehicles but little storage capacity of its own. "We operate basically on a 15-day throughput schedule," Sevin says. "We buy in tanker and barge lots but we lease capacity where it's needed and for as long as necessary. We really don't have much of our own."

In addition to the No. 2, Petro markets some gasoline and about 8-million gal. of heavy oil. "But we're really only interested in the No. 2," says Sevin. "That's our prime market."

In recapping a bit of Petro's fortunes, Sevin mentioned that he disliked very much the need to spin off some of the subsidiaries in the earlier days. "But we had no alternative if we wanted to stay alive," he says. "We believe in our people and we work very hard on building up a tight-knit organization to support our managerial concepts."

Sevin, married only last October and still bubbling about it, maintains a hectic schedule. He lives in New York City, as does his father. Both reverse commute to the company headquarters in Stamford, Conn. He figures he spends a day to a day-and-a-half in Stamford, one in Boston, one in New York, maybe another in Washington, maybe elsewhere as need may be. "It's just go, go, go," he says. "But I thrive on it."

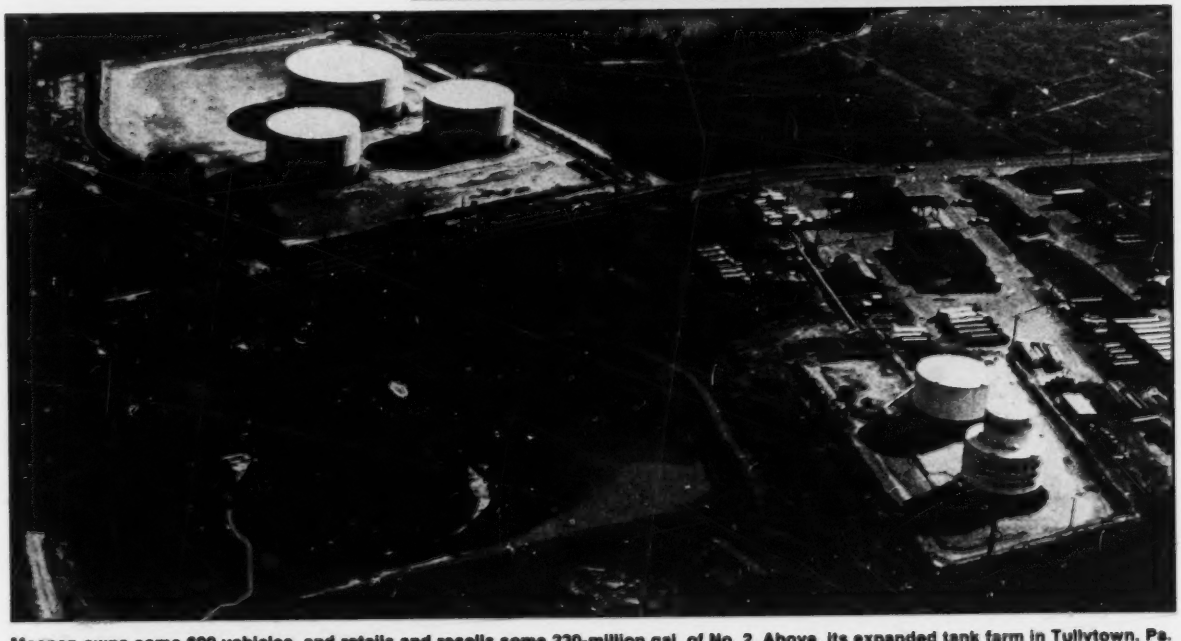
The Meenan Saga

Meenan's Kenny III is sober-sided and sharp as a tack on his company's affairs. He and his two partners, vice presidents Stanley R. Orczyk (operations) and Paul A. Vermylen Jr. (finance) are the principals of KOV Corp., the private owners of the old public company.

Why the switch back to private ownership?

"We saw market conditions change and we decided to concentrate on fuel oil," says Kenny. "It became obvious that people had lost interest in buying $2,500 oil burners, so we spun off our Blue Flame subsidiary. We also saw that it really wasn't necessary for us to own our own production, so we are spinning off Menexco, Inc., our crude oil company. We also felt that under private ownership we could run our operations more efficiently and more economically. It costs a pretty

Kenny and his KOV Corp. partners last summer took Meenan Oil private again for $29.5-million to 'run operations more efficiently.'



Meenan owns some 600 vehicles, and retails and resells some 230-million gal. of No. 2. Above, its expanded tank farm in Tullytown, Pa.

penny, you know, to be a public company."

He said "our group offered the shareholders $12 a share, which was about twice the going market price. That made it a fair deal for them and enable us to restructure everything the way we wanted to." Meenan went public in 1972 and was the only publicly owned fuel oil company around. But neither the stock nor the market lived up to expectations.

In KOV, Kenny personally owns 10.2% of the stock, Orczyk 7.2% and Vermylen 6.1%.

Like Sevin, Kenny disavows interest in being No. 1 or even putting up a fight for the title. "We want to strengthen our market position and we're interested in acquisitions that will help us do that," he says. "Everybody is losing gallonage and customers as a result of conservation ethics and competition. To offset those and to keep distribution operations profitable, you have to acquire more business."

Some Scaling Back

Kenny confirms that Meenan currently has 128,000 household accounts and 130-million gal. of No. 2. "But we also have about 100-million gal. of wholesale No. 2, so that would put us way up there in total volume." Kenny mentioned that Meenan has pulled out of Connecticut, selling Peterson Oil Co. back to its original owners. Meenan also closed out its Central division in New Jersey in December.

"We're going to concentrate our efforts in the markets where we now are—Long Island, lower Westchester, southern New Jersey and eastern Pennsylvania," says Kenny.

Meenan's network of facilities is substantial. The company has 600 vehicles of all sorts, including 198 delivery trucks, 40 tractor trailers and 13 transports. The company has, when fully utilized, more than 55-million gal. of storage capacity available. That's roughly 26 days of supply in normal winter weather. The payroll is large for a retailer—617 year-around employees and 167 seasonal personnel for a total of 784. A few of these people will be—or already have—losing their jobs at corporate headquarters in the completion of the switch from public to private ownership. Their jobs were to handle the extra chores and details required for public ownership.

Meenan's no slouch in the acquisitions area. In fiscal 1982, it acquired 10 companies at an aggregate cost of $9.4-million. Once Kenny III gets the house in order, it can be presumed that Meenan will be on the prowl again for prospective additions to its network.

Tale of Whaleco

Carini doesn't have to take a back seat either in the marketplace.

Since he acquired Whale Oil Corp. in 1971, he has bought up almost two dozen firms. Where once he had only the Whale Oil Corp. of Brooklyn, he now has the Whale Oil Corp. of New Jersey and Whale Oil Corp. of New England. They are like sister companies, rather than subsidiaries, but the top management is the same for all three.

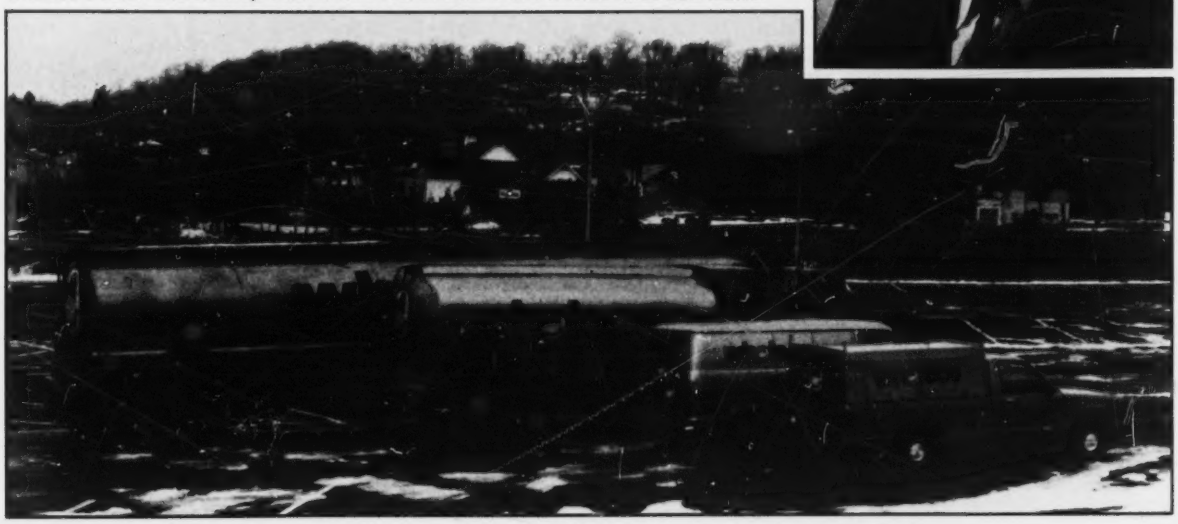
Carini's purchase of the retail fuel oil assets of Charter Oil Co. last fall was a real stunner for most of the home heat industry. Charter had bought the properties only months before from the Kaneb family. It decided to retain the heavy oil and the wholesale businesses and put the residential No. 2 on the block.

Some people say that Petro's Irik Sevin thought he had the deal all wrapped up when Carini walked away with the string of companies in New Hampshire, Massachusetts and Connecticut. Carini politely b[illegible] refused to discuss the economic[illegible]ved, but the package did get him 38,000 new accounts and 50-million gal. of No. 2. Added to what he already had in New York and New Jersey, that gave him a spanking total of 78,000 households and 150-million gal. of oil.

Carini conceded there was some gasoline and diesel fuel in that gallonage total, so the numbers are not comparable with those of Meenan and Petro. In addition, he noted, the marketplaces are different in that most of Meenan's and Petro's are single family homes, while many of his in the metropolis, for example, are multiple dwellings and apartment complexes, which basically account for only one number but substantially greater gallonage.

One thing that makes Carini and Whaleco stand head and shoulders above most of the industry is a firm belief in equipment sales and installation. "We sold more than $5-million worth of equipment last year," Carini says. "So it can be done, if a company really wants to do it. I've always believed that if you want to be in this business and prosper, you ought to sell the equipment that uses the fuel you also sell."

All in all, three remarkable young men are in charge of three old-line companies which are suddenly 1-2-3 in the fuel oil business. With the drive that they have and their eagerness to expand, this year and next should be a very interesting period. NPN

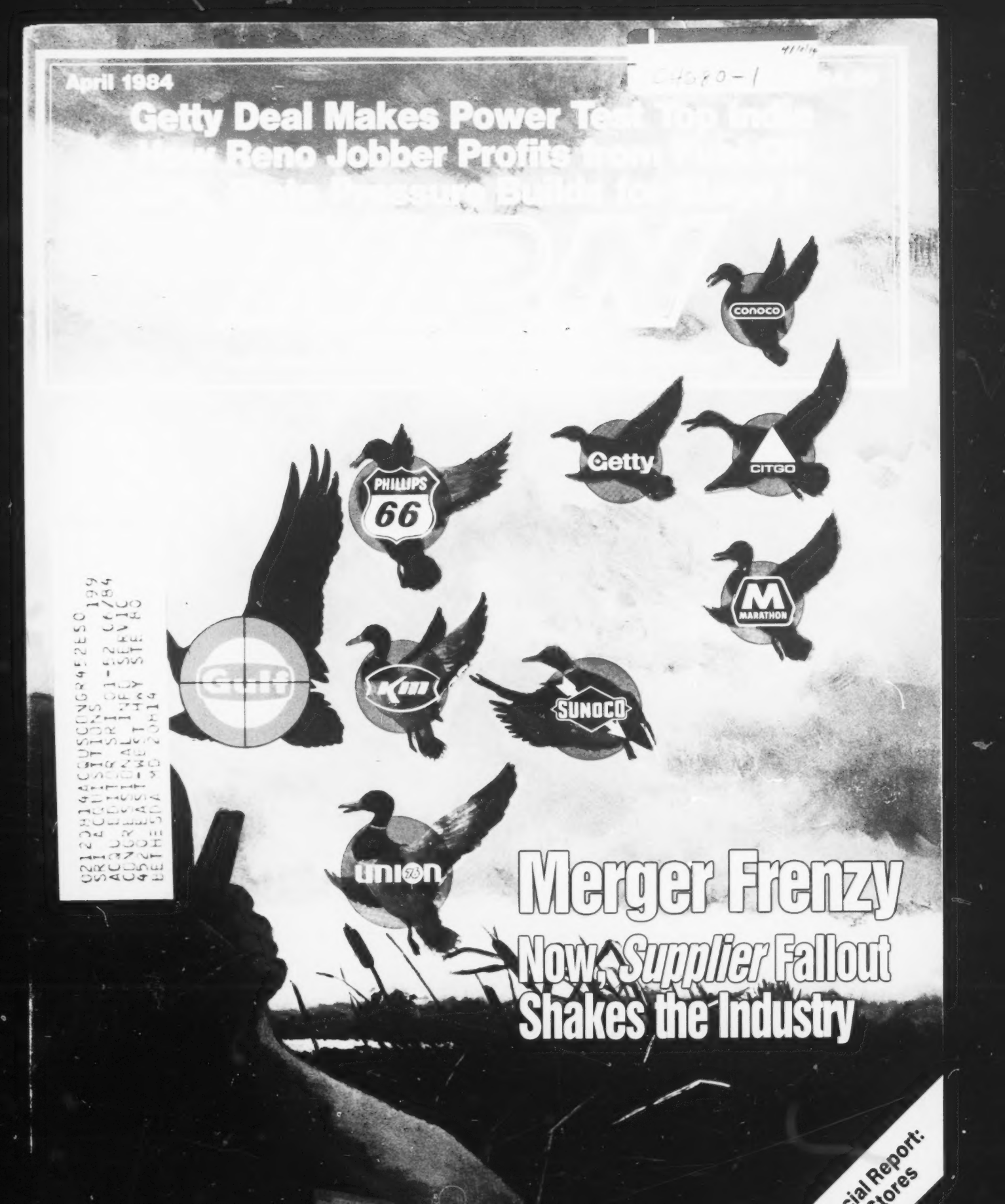


Whaleco's Carini snatched up Charter Oil's fuel oil assets and entered three new states.

April 1984

Getty Deal Makes Power Te[illegible]

[illegible] Reno Jobber Profits [illegible]



Merger Frenzy

Now, *Supplier* Fallout Shakes the Industry

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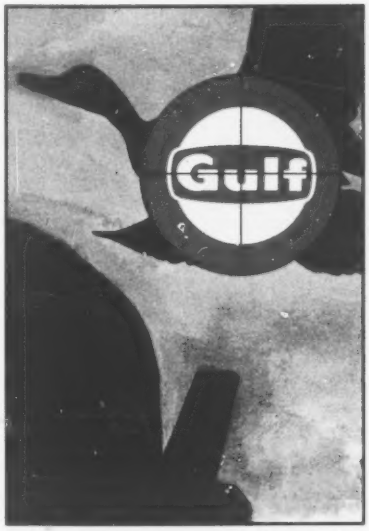

The third phase of what has been a dramatic restructuring and regrouping of the entire oil industry since the '70s seemed to be at hand last month as Getty, then Gulf—the 13th and eighth largest integrated companies—became felled merger targets. **Page 20**
Cover art by Marcus Design, Chicago

In the early '60s, building food mart/gasoline outlets was considered questionable. But store combos have spurted from a 1% share of the retail gasoline market in 1974 to a more than 12% share currently. The big question now is: Can you afford the tie-in? **Page 34**

For Reno, Nev., fuel oil jobber, the popular notion of efficiency does not necessarily spell success in a shrinking market. But then, 50¢ gal. fuel oil margins aren't popular either. **Page 62**

• TRENDS

Does Industry's Watershed Mean Shedding Downstream?

Oil marketing appears to be at another turning point as the biggest industry story since the 1973 oil embargo continues to unfold in corporate and bank boardrooms. [See cover story on page 20.] Some sources are saying divestiture of refining and marketing assets by large integrated oil companies could become widespread.

Already, Texaco has agreed to shed most of the downstream assets picked up in its acquisition of Getty Oil. As Standard Oil of California's offer to buy Gulf has been approved, it probably will have to spin off some refining and marketing properties. Kuwait Petroleum Corp., among others, was being mentioned last month as possibly winding up with Gulf Oil's refining and marketing properties, while the bidding for Gulf was still going on.

Some marketers believe the spotlight on downstream operations soon will be so intense that more companies will begin thinking of restructuring their operations.

It is interesting to recall in this context that Gulf Chairman James E. Lee, well before Texas oilman T. Boone Pickens Jr. set off frenzied negotiations for control of the company, cast doubts about downstream profitability under the best of conditions in a *Wall Street Journal* article.

Some financial analysts claim that low downstream profits in relation to the value of crude oil have caused many oil company stocks to be under priced. This has made those with high crude oil reserves subject to the present merger mania.

Oil marketers are wondering who they might be buying product from or working for down the road, if companies keep changing hands. [See story page 57.]

When E.I. du Pont de Nemours acquired Conoco Inc. in 1981, Conoco marketers had to suffer some jibes about paint salesmen becoming their supplier reps. There was probably some steely sarcasm for Marathon marketers, too, when U.S. Steel acquired that company.

But recently, when the names of Allied Corp. (formerly Allied Chemical) and General Electric were included in a long list of companies interested in Gulf, some Gulf jobbers decided such "outside" ownership might not be that bad. (That, however, seems to have been obviated by Chevron's "inside" move.)

One reason is what has happened since at Conoco and Marathon. Marketing seems to have faired pretty well at both companies under the new owners, although there has been talk of budget squeezes at times. It was widely believed that Du Pont would sell off Conoco's marketing right after their merger. Instead, some crude oil reserves were sold.

"I think Du Pont sees value in Conoco's refining operations because they supply raw materials for chemicals made by Du Pont," says a Gulf jobber. The same would have held true if Allied Corp. had been able to purchase Gulf, he adds.

The Gulf jobbers didn't know what to think of the apparent interest of the Kuwaitis in Gulf's downstream facilities as the merger machinery churned in early March. Some sources at the time thought if Arco, Socal or Mobil wound up in a "friendly" takeover of Gulf, a deal might have to be struck for Kuwait Petroleum to take the downstream assets in order to obtain Washington approval. Some believed that despite the Federal Trade Commission's quick approval of the Texaco/Getty merger, a Socal/Gulf entity would have approximately 10% or more of the U.S. gasoline market. And, FTC didn't give Texaco a preliminary green light until agreement was reached for Texaco to sell most of the Getty downstream assets. [See story on page 25.]

Congressmen were beginning to react to the big company mergers in early March. Sen. Howard Metzenbaum (D.-Ohio) planned to introduce an amendment to the FTC authorization bill which would ban the acquisition of any major oil company producing at least 500,000 b/d. Sen. Bennett Johnston (D.-La.) was trying to introduce a measure which would deny new federal oil leases or right-of-way benefits to U.S. companies involved in mergers.

But if the mergers aren't curtailed, more and more marketers can expect to find new owners of some type controlling downstream operations. A trend toward voluntary divestiture of refining and marketing by large integrated companies may no longer be unthinkable.

• MARKETPLACE AT A GLANCE

AVERAGE GASOLINE PRICES IN THE U.S. (¢ per gal.)

JANUARY	Gasoline (All types)	Leaded Regular	Unleaded Regular	Unleaded Premium*
U.S. City Avg.	$1.200	$1.131	$1.216	$1.369
Regions:				
Northeast	1.224	1.156	1.228	1.380
North Central	1.215	1.163	1.238	1.414
South	1.168	1.093	1.181	1.333
West	1.200	1.118	1.223	1.389

**Effective 1/1/84, prices for leaded premium were discontinued, due to the decline in the number of outlets selling this fuel.*
Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

STOCKS (Add 000 bbl.)

	3/2/84	3/4/83
Gasoline (total)	235,579	253,477
Gasoline (unleaded)*	97,784	100,566
Kerosine **	33,179	34,644
Distillates	129,750	148,766
Residual	52,482	54,652

**Included in gasoline total.*
***Jet kero only.*
Source: American Petroleum Institute.